



Paul Lee  
President

March 3, 2006

Dear Senator:

As President of ABC Family, I am writing to urge you to oppose any legislative or regulatory effort to create a la carte cable or satellite programming regulation. ABC Family is a unique programming network that is devoted to all aspects of today's families – with all their diversity, drama, humor and passion. The Walt Disney Company purchased ABC Family in 2001 and, since that time, has devoted significant resources to make ABC Family the dynamic network it is today. However, as described below, such a transition would not have been possible if ABC Family were operating in a world where the channel was offered “a la carte.” ABC Family is carried in over 80 million homes and advertising currently accounts for a major proportion of ABC Family's revenue. Without this wide distribution, a large number of advertisers would leave ABC Family, decreasing ABC Family's revenues significantly, and consequently decreasing ABC Family's programming investments. Thus, as described more fully below, ABC Family's experience as part of the expanded basic tier confirms that the expanded basic bundle is the most pro-consumer model.

When The Walt Disney Company purchased ABC Family in 2001, the programming on the channel consisted largely of re-run programming and syndicated programming that had already aired on several networks. However, because ABC Family already was distributed to a large number of cable and satellite homes as part of the expanded basic tier, ABC Family had the opportunity to devote its resources to improve the programming on the network, and then to encourage cable and satellite viewers to sample the new, fresher programming mix on ABC Family. This strategy has worked and ABC Family now airs a number of award-winning original dramas that have led to higher ratings for the network. Over the past four years since Disney purchased ABC Family, audience ratings have increased by 17% in prime-time and 16% in total day compared to the last 12 months that NewsCorp owned and programmed the channel as Fox Family. Moreover, in January 2006, ABC Family's ratings for total day viewing reached 103 million unduplicated total viewers.

ABC Family has been focused on creating high-quality dramas that tell great stories about families that have real emotion and that stand out for their quality and human values. ABC Family's dramas are resonating with viewers. ABC Family's first original scripted drama, “Wildfire” recently opened its second season with 2.3 million viewers, representing a 12 percent over last year's opening episode. And, both



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“Wildfire” and another ABC Family original drama, “Beautiful People” received official commendations from the Entertainment Industries Council as part of the 10th annual Prism Awards. Over the next several months, ABC Family will be launching several new dramas, including “Lincoln Heights” (in which the entire starring cast will be African American and will be shot in the West Adams section of Los Angeles) and “Three Moons Over Milford” (a family drama set in a small town), and “Kyle XY” (centering on a teenage boy).

ABC Family’s development and production of new original programming has required a significant financial commitment to create quality television shows. In fact, ABC Family’s programming expense has more than doubled since the channel was acquired. Programming expense increased 140% in the period from the last full year of operation as Fox Family Channel in 2001 to the amount spent as ABC Family in 2005.

Another particularly successful programming strategy for ABC Family has been to air “themed programming periods,” including “25 Days of Christmas,” “13 Nights of Halloween,” and “Home for the Holidays.” Each of these programming periods involves airing a holiday-oriented program every night for a set period of time. These themed periods have been very successful, with last December’s the “25 Days of Christmas” helping ABC Family to rise to its best yearly ratings among total viewers, adults 18-49 and adults 18-34, in both primetime and total day viewing. This approach, which helps ABC Family attract viewers to all its programming (and not just the holiday-related prime-time fare), would not work in an a la carte system because viewers would not be able to sample and view ABC Family’s holiday programming during these periods if the viewer did not already subscribe to ABC Family.

Based on ABC Family’s experience transitioning from a network airing lower cost programming to a network airing new, fresh, and more costly dramas and other programming, it is clear that ABC Family would not have been able to make this transition in an a la carte distribution world. This is because fewer homes that ABC Family reached would have resulted in dramatically fewer revenues from advertising, and fewer revenues from advertising results in less investment in great television. Most advertisers are not interested in buying networks that have less than 50 million or 60 million homes. Fully distributed cable networks like ABC Family have enough momentum to invest in great storytelling that is sold and watched around the world. It allows us and our competitors to pay for second-run-broadcast shows at a level that keeps the broadcast networks strong. A la carte will undermine therefore not just cable, but will substantially weaken broadcast investment as well. If America does not maintain its



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position as the world's greatest storyteller, then not just American television, but America as a whole is harmed. ABC Family therefore urges you to oppose any proposals for government regulation of a la carte programming options.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Lee", written over a horizontal line.

Paul Lee  
President  
ABC Family

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